

# **FISCAL NOTE**

## **SB 195 - HB 465**

February 27, 2003

**SUMMARY OF BILL:** Provides for an annexing municipality that elects to be the exclusive provider of utility services within any annexed territory to purchase the public functions, rights, duties, properties and customers from the previous provider of such services, if such provider is an instrumentality of the state of Tennessee, on terms agreed to by the parties. Specifies that the annexing municipality and the affected instrumentality shall each select one person qualified to value public utility property to determine the fair market value of the conveyed property and associated customers if the two can not agree on a price. If the two persons selected can not agree on a value the parties shall jointly select a third qualified person. Specifies that the person valuing the property shall give appropriate weight to the income approach and take into account the income from existing customers and future customers who could be served by the existing capacity of the utility lines and facilities. Specifies that provisions do not apply to a municipal electric system or any other state instrumentality providing electric service.

### **ESTIMATED FISCAL IMPACT:**

#### **Local Govt. Expenditures - Net Impact - Not Significant**

Estimate assumes an annexing municipality choosing to be the primary utility provider in an annexed area would have to compensate the instrumentality offering utility service under existing law and the provisions of the bill provide a method of resolving conflicts over the purchase price of the functions and property of the utility provider. Such purchase price is likely to be different under the provisions of the bill due to the income approach outlined which is not currently used. The dollar amount will depend on the size of the area being annexed, the number of customers affected and the facilities of the utility provider in the area. The net impact on local government expenditures is estimated to be not significant.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director